

Borrowing Options

Closing Date: August 20, 2020

Subject to the MFA's program guidelines and approval, a borrower has two options to participate in the 2020 SAN. The cost of borrowing is impacted by the selection of the repayment option. **Option 1**, which has historically provided the lowest cost of borrowing, requires monthly set-aside payments. **Option 2**, which typically results in a higher cost of borrowing, has a single payment at maturity. In order to take advantage of the cost-effective set-aside pool, separate notes may be issued allowing borrowers to participate in both options.

Option 1: Set-Aside

1. Borrower repays the principal and interest on its note by making 3, 5, or 7 equal, monthly set-aside payments.
3 set-aside payments: May 2021 through July 2021
5 set-aside payments: March 2021 through July 2021
7 set-aside payments: January 2021 through July 2021
2. Monthly set-aside payments cannot exceed 50% of the amount of state school aid to be received that month.
3. Set-aside payments are pooled and invested on behalf of borrowers, or, used to amortize the notes, lowering the overall cost of borrowing.

Option 2: No Set-Aside

1. Borrower repays principal and interest on its note at maturity, August 20, 2021. While there are no scheduled payments before the maturity date, the State Treasurer automatically intercepts 100% of the August 20, 2021 state school aid payment to the MFA's Trustee to repay all or a portion of the borrower's note.
2. Monthly set-aside payments are not required under this option; therefore, no investment earnings, or amortization benefits are realized.

Security Requirements

- A limited tax full faith and credit pledge;
- State School Aid Pledge to run from October 2020 to August 2021; and
- Agreement to authorize the intercept of state school aid.

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* Please note that costs of issuance are shared on the same pro rata basis among set-aside and no set-aside borrowers. However, borrowers with no set-aside payments incur the additional costs associated with the bank purchase or Letter of Credit and do not realize investment earnings on set-aside payments.